

AMENDED IN ASSEMBLY APRIL 2, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1224

Introduced by Assembly Member Rod Pacheco

February 23, 2001

An act to amend Section ~~24472~~ 17041 of the Revenue and Taxation Code, relating to taxation, *to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1224, as amended, Rod Pacheco. ~~Bank and corporation taxes: discharge of indebtedness~~ *Personal income taxes: rates: reduction.*

The Personal Income Tax Law imposes a tax upon taxable income at various rates depending upon the amount of that income.

This bill would, commencing with taxable years beginning on or after January 1, 2001, reduce all marginal tax rates, as provided.

This bill would take effect immediately as a tax levy.

~~The Bank and Corporation Tax Law, by reference to specified federal statutes, allow for various deductions and adjustments to income, including adjustments attributable to discharges of indebtedness.~~

~~This bill would make a technical, nonsubstantive change to provisions that conform to federal provisions for adjustments attributable to discharges of indebtedness.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

~~SECTION 1. Section 24472 of the Revenue and Taxation Code is amended to read:~~

~~24472. The amendments to Section 382 of the Internal Revenue Code made by Section 13226 of the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to modifications of discharge of indebtedness provisions, shall apply to discharges occurring on or after January 1, 1996, in taxable years beginning on or after January 1, 1996.~~

SECTION 1. Section 17041 of the Revenue and Taxation Code is amended to read:

17041. (a) (1) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state, except the head of a household as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income:

If the taxable income is:	The tax is:
Not over \$3,650	1% of the taxable income
Over \$3,650 but not	
over \$8,650	\$36.50 plus 2% of the excess over \$3,650
Over \$8,650 but not	
over \$13,650	\$136.50 plus 4% of the excess over \$8,650
Over \$13,650 but not	
over \$18,950	\$336.50 plus 6% of the excess over \$13,650
Over \$18,950 but not	
over \$23,950	\$654.50 plus 8% of the excess over \$18,950
Over \$23,950	\$1,054.50 plus 9.3% of the excess over \$23,950

(2) (A) For any taxable year beginning on or after January 1, 1991, and before January 1, 1996, the income tax brackets and rates set forth in paragraph (1) shall be modified by each of the following:

(i) For that portion of taxable income that is over one hundred thousand dollars (\$100,000) but not over two hundred thousand dollars (\$200,000), the tax rate is 10 percent of the excess over one hundred thousand dollars (\$100,000).

(ii) For that portion of taxable income that is over two hundred thousand dollars (\$200,000), the tax rate is 11 percent of the excess over two hundred thousand dollars (\$200,000).

(B) The income tax brackets specified in this paragraph shall be recomputed, as otherwise provided in subdivision (h), only for taxable years beginning on and after January 1, 1992.

(b) There shall be imposed for each taxable year upon the entire taxable income of every nonresident or part-year resident which is derived from sources in this state, except the head of a household as defined in Section 17042, a tax which shall be equal to the tax computed under subdivision (a) as if the nonresident or part-year resident were a resident multiplied by the ratio of California adjusted gross income to total adjusted gross income from all sources. For purposes of computing the tax under subdivision (a) and gross income from all sources, the net operating loss deduction provided in Section 172 of the Internal Revenue Code, as modified by Section 17276, shall be computed as if the taxpayer was a resident for all prior years.

(c) (1) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state, when the resident is the head of a household, as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income:

If the taxable income is:	The tax is:
Not over \$7,300	1% of the taxable income
Over \$7,300 but not	
over \$17,300	\$73 plus 2% of the excess
	over \$7,300
Over \$17,300 but not	
over \$22,300	\$273 plus 4% of the excess
	over \$17,300
Over \$22,300 but not	
over \$27,600	\$473 plus 6% of the excess
	over \$22,300

1	Over \$27,600 but not	
2	over \$32,600	\$791 plus 8% of the excess
3		over \$27,600
4	Over \$32,600	\$1,191 plus 9.3% of the excess over
5		\$32,600

6
7 (2) (A) For any taxable year beginning on or after January 1,
8 1991, and before January 1, 1996, the income tax brackets and
9 rates set forth in paragraph (1) shall be modified by each of the
10 following:

11 (i) For that portion of taxable income that is over one hundred
12 thirty-six thousand one hundred fifteen dollars (\$136,115) but not
13 over two hundred seventy-two thousand two hundred thirty dollars
14 (\$272,230), the tax rate is 10 percent of the excess over one
15 hundred thirty-six thousand one hundred fifteen dollars
16 (\$136,115).

17 (ii) For that portion of taxable income that is over two hundred
18 seventy-two thousand two hundred thirty dollars (\$272,230), the
19 tax rate is 11 percent of the excess over two hundred seventy-two
20 thousand two hundred thirty dollars (\$272,230).

21 (B) The income tax brackets specified in this paragraph shall
22 be recomputed, as otherwise provided in subdivision (h), only for
23 taxable years beginning on and after January 1, 1992.

24 (d) There shall be imposed for each taxable year upon the entire
25 taxable income of every nonresident or part-year resident which
26 is derived from sources within this state when the nonresident or
27 part-year resident is the head of a household, as defined in Section
28 17042, a tax which shall be equal to the tax computed under
29 subdivision (c) as if the nonresident or part-year resident were a
30 resident multiplied by the ratio of California adjusted gross
31 income to total adjusted gross income from all sources. For
32 purposes of computing the tax under subdivision (c) and gross
33 income from all sources, the net operating loss deduction provided
34 in Section 172 of the Internal Revenue Code, as modified by
35 Section 17276, shall be computed as if the taxpayer was a resident
36 for all prior years.

37 (e) There shall be imposed for each taxable year upon the
38 taxable income of every estate, trust, or common trust fund taxes
39 equal to the amount computed under subdivision (a) for an
40 individual having the same amount of taxable income.

1 (f) The tax imposed by this part is not a surtax.

2 (g) (1) Section 1 (g) of the Internal Revenue Code, relating to
3 certain unearned income of minor children taxed as if the parent's
4 income, shall apply, except as otherwise provided.

5 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code,
6 relating to income included on parent's return, is modified, for
7 purposes of this part, by substituting "1 percent" for "15
8 percent."

9 (h) For each taxable year beginning on or after January 1, 1988,
10 the Franchise Tax Board shall recompute the income tax brackets
11 prescribed in subdivisions (a) and (c). That computation shall be
12 made as follows:

13 (1) The California Department of Industrial Relations shall
14 transmit annually to the Franchise Tax Board the percentage
15 change in the California Consumer Price Index for all items from
16 June of the prior calendar year to June of the current calendar year,
17 no later than August 1 of the current calendar year.

18 (2) The Franchise Tax Board shall do both of the following:

19 (A) Compute an inflation adjustment factor by adding 100
20 percent to the percentage change figure that is furnished pursuant
21 to paragraph (1) and dividing the result by 100.

22 (B) Multiply the preceding taxable year income tax brackets by
23 the inflation adjustment factor determined in subparagraph (A)
24 and round off the resulting products to the nearest one dollar (\$1).

25 (i) *The income tax rates prescribed in subdivisions (a) and (c)*
26 *shall be modified as follows:*

27 (1) *For any taxable year beginning on or after January 1, 2001,*
28 *and before January 1, 2002, 1 percent shall be 0 percent.*

29 (2) *For any taxable year beginning on or after January 1, 2002,*
30 *and before January 1, 2003, 1 percent shall be 0 percent, 2 percent*
31 *shall be 1 percent, 4 percent shall be 2 percent, 6 percent shall be*
32 *4 percent, 8 percent shall be 6 percent, and 9.3 percent shall be 8*
33 *percent.*

34 (3) *For any taxable year beginning on or after January 1, 2003,*
35 *1 percent shall be 0 percent, 2 percent shall be 0 percent, 4 percent*
36 *shall be 1 percent, 6 percent shall be 2 percent, 8 percent shall be*
37 *4 percent, and 9.3 percent shall be 6 percent.*

38 (j) (1) For purposes of this section, the term "California
39 adjusted gross income" includes each of the following:

1 (A) For any part of the taxable year during which the taxpayer
2 was a resident of this state (as defined by Section 17014), all items
3 of adjusted gross income, regardless of source.

4 (B) For any part of the taxable year during which the taxpayer
5 was not a resident of this state, only those items of adjusted gross
6 income which were derived from sources within this state,
7 determined in accordance with Chapter 11 (commencing with
8 Section 17951).

9 (2) For purposes of computing “California adjusted gross
10 income” under paragraph (1), the amount of any net operating loss
11 sustained in any taxable year during any part of which the taxpayer
12 was not a resident of this state shall be limited to the sum of the
13 following:

14 (A) The amount of the loss attributable to the part of the taxable
15 year in which the taxpayer was a resident.

16 (B) The amount of the loss which, during the part of the taxable
17 year the taxpayer is not a resident, is attributable to California
18 source income and deductions allowable in arriving at adjusted
19 gross income.

20 SEC. 2. This act provides for a tax levy within the meaning of
21 Article IV of the Constitution and shall go into immediate effect.

